

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 2003-315

August 13, 2003

SANDY POINT WATER COMPANY  
Proposed Rate Change  
(21.8% Increase in Rates or  
\$3,133 Increase in Revenues)

ORDER APPROVING  
STIPULATION

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WELCH, Chairman; DIAMOND and REISHUS, Commissioners

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**I. SUMMARY**

We allow the rate increase for Sandy Point Water Company (Sandy Point) as stipulated in the Stipulation Agreement dated August 7, 2003 between the Office of the Public Advocate (OPA) and Sandy Point to take effect as of July 1, 2003. The Stipulation allows for an increase in overall revenue requirements of \$4,183 or 29.1% and creates separate rates for year-round and seasonal customers.

**II. PROCEDURAL HISTORY**

On May 1, 2003, Sandy Point, pursuant to section 307 of Title 35-A of the Maine Revised Statutes, filed a proposed rate increase of 21.8% or \$3,133 of additional revenue.

On June 27, the PUC Advisory Staff, the OPA and representatives from Sandy Point held a technical/settlement conference at Sandy Point. Two additional telephone conference calls were held to finalize the settlement reached.

On August 7, 2003, the parties filed a Stipulation Agreement setting forth the revenue requirements needed to establish rates and other terms regarding the future operation of Sandy Point. In the Stipulation Agreement, the parties also waived the right to file exceptions or comment on any Examiner's report.

**III. STIPULATION**

The parties agree that the District's revenue requirement will be \$18,550 per year. Sandy Point's revenue requirement, as set forth in this Stipulation Agreement, represents an increase of \$4,183 over the District's 2002 calendar year revenues of \$14,367, or a 29.1% increase. The parties also agreed that the rates would be effective on July 1, 2003 to ensure the Company has adequate operating income for the remainder of the year.

In addition, the Stipulation creates Seasonal Rates of \$507 per year for customers taking water service for no more than six months between May 1 and October 31 of each year. All other customers shall pay a rate of \$576 per year.

Sandy Point and the parties have agreed to additional terms related to metering and accounting treatment of contributions. In particular, Sandy Point has agreed that contributions received in connection with fund raising campaigns shall be accounted for as Other Paid-In Capital in accordance with the Commission's Uniform System of Accounts.

#### IV. ANALYSIS AND RECOMMENDATION

Sandy Point's need for an increase in its rates is the result of increases in operational costs and the loss of a major customer that provided approximately 11% of Sandy Point's revenues. The rates requested should allow Sandy Point to provide adequate service to its ratepayers.

The rates approved in the Stipulation are greater than the rates originally requested. During the processing of the case, the accounting treatment of contributions<sup>1</sup> made by shareholders for the general operation of the utility was questioned. As a result, Sandy Point determined that the proper accounting would be to treat the contributions as Other Paid-In Capital and not as a Contribution-in-Aid of Construction as originally proposed. This change increased both the estimated depreciation expense and the base upon which the overall rate of return was applied. The revised accounting is in accordance with the Commission's Uniform System of Accounts and is appropriate.

The creation of a seasonal rate was done to satisfy the concerns of seasonal customers who do not receive the same service during the entire year. This rate was created in lieu of installing meters for all customers. The Stipulation provides for test meters to be installed solely to collect data and information about customer usage. The results of these test meters will not be known for at least another year or two and the creation of the seasonal rate provides some relief to the seasonal customer.

In approving a stipulation, we consider whether the parties joining the stipulation represent a sufficiently broad spectrum of interests, whether the process leading to the stipulation was fair and whether the stipulated result is reasonable and not contrary to legislative mandate. See e.g., *Consumers Maine Water Company, Proposed General Rate Increase of Bucksport and Hartland Divisions*, Docket No. 96-739 (July 3, 1997) at 2. The Public Advocate represents the using and consuming public, in this case the customers of the Sandy Point Water District. The process of discovery, the technical conference and the informal conference calls allowed an opportunity for all interested persons to gather information about the reasons for the increase.

We believe that the process was fair; all interested parties had an opportunity to participate. We find that the proposed Stipulation resolves this case consistent with the law and the public interest. The Stipulation as filed results in rates that are just and

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<sup>1</sup> The contributions in question were received from customers/shareholders in response to a challenge by a customer/shareholder. The challenge promised to match any contribution up to a total of \$25,000.

reasonable and in the best interest of ratepayers. It also reduces the risk of increased costs if the case were fully litigated. We further find that the conditions to the Stipulation are reasonable.

**V. CONCLUSION**

We approve the Stipulation filed by the parties in this case on August 7, 2003, and therefore,

**ORDER**

1. That the Stipulation filed on August 7, 2003 is approved; and
2. That the Sandy Point Water Company Sheet #1 Fourth Revision filed on July 29, 2003 is approved for effect on July 1, 2003, as permitted by 35-A M.R.S.A. §309(2).

Dated at Augusta, Maine, this 13<sup>th</sup> day of August, 2003.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Welch  
   Diamond  
   Reishus

## NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.